-> Audit

Su Casa
Ending Domestic Violence

June 12, 2009

Stephanie Pedone
Criminal Justice Specialist I
Office of Emergency Services
3650 Schriever Avenue
Mather, CA 95655-4203

Dear Stephanie:

Enclosed please find Su Casa's FY 2007-08 Audited Financial Statements and Letter of Comments to Management.

Thank you for your support of Su Casa and for helping to make a difference in the lives of the families in our agency. We are proud to have you as a partner in our Community of Peace. If you have any questions you may contact Edith Matthews, Finance Manager at 562-421-5337 or email edith@sucasadv.org.

Sincerely,
Su Casa ~ Ending Domestic Violence

Edith F Matthews

Edith Matthews, MPA
Finance Manager

Audited Financial Statements
and Other Financial Information
Su Casa ~ Ending Domestic Violence
Year ended June 30, 2008
With Report of Independent Auditors

DATE RECEIVED:

RECEIVED
JUN 18 2009
By

AUDIT REVIEW #(s) 04644

Assigned To: ln

Date Reviewed: 7/8/09

Reviewer's Initials: [illegible]

Date Review(s) Completed: 8/19/09

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

Audited Financial Statements
and Other Financial Information
Su Casa ~ Ending Domestic Violence
Year ended June 30, 2008
With Report of Independent Auditors

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
801 South Grand Avenue, Suite 400 ▪ Los Angeles, CA 90017-4646 ▪ Ph. (213) 629-9094 ▪ Fax (213) 996-4242 ▪ www.vasquezcpa.com

Report of Independent Auditors

To the Board of Directors of
Su Casa ~ Ending Domestic Violence

We have audited the accompanying statement of financial position of Su Casa ~ Ending Domestic Violence, a California not-for-profit organization, as June 30, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Su Casa ~ Ending Domestic Violence's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Su Casa ~ Ending Domestic Violence as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Su Casa ~ Ending Domestic Violence taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vasquez + Company LLP

Los Angeles, California
April 15, 2009

ASSETS

Current assets		
Cash	$	13,553
Restricted cash		9,540
Contracts and grants receivable		419,065
Prepaid expenses		8,345
Total current assets		450,503
Property and equipment - net		1,075,864
Other assets		
Restricted investments		21,932
Deposits		3,342
Total other assets		25,274
Total assets	$	1,551,641

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$	20,994
Accrued expenses and other current liabilities		111,545
Total current liabilities		132,539
Net assets		
Unrestricted		1,419,102
Total net assets		1,419,102
Total liabilities and net assets	$	1,551,641

See notes to financial statements.

Revenue and other support		
Government contracts	$	1,592,024
Grants and contributions		132,881
Donations in-kind		237,674
Special events, net of direct expenses of $20,856		15,219
Other income		33,082
Investment income		4,356
Total revenue and other support		2,015,236
Expenses		
Program services		1,149,003
Support services		203,900
Fundraising expenses		59,536
Total expenses		1,412,439
Change in net assets		602,797
Net assets		
Beginning of year		816,305
End of year	$	1,419,102

See notes to financial statements.

Cash flows from operating activities		
Change in net assets	$	602,797
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		61,701
Loss on disposal of property and equipment		8,174
Bad debts		2,671
Change in fair value of restricted investments		6,295
(Increase) decrease in operating assets:		
Contracts and grants receivable		(242,685)
Prepaid expenses		10,627
Deposits		(1,500)
Increase (decrease) in operating liabilities:		
Accounts payable		7,603
Accrued expenses and other current liabilities		34,293
Net cash provided by operating activities		489,976
Cash flows from investing activities		
Purchase of property and equipment		(730,879)
Acquisition of restricted investments		(4,396)
Net sale and purchases of restricted investments		16,018
Tenants deposits		2,024
Net cash (used in) investing activities		(717,233)
Net change in cash		(227,257)
Cash at beginning of year		240,810
Cash at end of year	$	13,553

See notes to financial statements.

NOTE 1 ORGANIZATION

The Su Casa ~ Ending Domestic Violence ("Su Casa" or the "Organization") is a nonprofit, community based organization dedicated to the philosophy that every individual has the right to live free from violence or the threat of violence. The Organization provides crisis intervention, transitional housing and outreach educational services to victims/survivors of domestic violence. Through a 24 hour crisis hotline service, clients gain access to shelter and non-shelter services including emergency shelter, food, clothing, counseling, information, referrals, legal and welfare advocacy, support groups, parenting education, child abuse reporting, and community education services. The emergency crisis shelter provides 22 beds. The transitional shelter program provides 24 long-term (12 months) beds. The transitional program is designed to assist battered, homeless women and children with housing, job training and placement, vocational assistance, individual and group counseling, a children's program, parenting classes and budgeting classes.

Su Casa's outreach office provides individual counseling and support groups to non-sheltered clients. Food and clothing assistance is provided on an as-needed basis. All services are provided free of charge to individuals of all socioeconomic, religious, racial and ethnic groups who meet agency criteria. Services are provided at a high security shelter, a transitional housing apartment complex and a business center for victims/survivors. Su Casa is funded by public and private funds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
Su Casa's financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation
The accompanying financial statements have been prepared on the basis of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Su Casa is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recognized as revenue at their fair value in the period received. For financial reporting purposes, Su Casa distinguishes between contributions received that increase the three net asset categories (unrestricted, temporarily restricted, and permanently restricted) in accordance with donor-imposed restrictions, and recognizes the expiration of donor-imposed restrictions in the period in which the restriction expires. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Revenue Recognition

Donations are recorded when they are made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated Materials and Services

Contributions of donated materials used by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. During the year ended June 30, 2008, Su Casa received donated goods and services of $237,674. The donated services were used primarily in the Organization's program service and fundraising.

Investments

Su Casa values its investments at their fair value based on quoted market prices. Realized and unrealized gains or losses are reflected in the statement of activities as investment income.

Property and Equipment

Expenditures which materially increase property lives are capitalized. Property donated is recorded at its estimated fair value. The cost of maintenance and repairs is charged to expenditures as incurred. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities.

The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to twenty five years.

Building and improvements	10-25 years
Office furniture, fixtures and equipment	5-7 years

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets

Contributions and allocations, the uses of which are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Su Casa pursuant to those stipulations, are recorded in the temporarily restricted net assets. As of June 30, 2008, Su Casa has no temporarily restricted net assets.

Unrestricted Net Assets

Contributions and allocations, the uses of which are not restricted by donors or grantors, are recorded in unrestricted net assets.

Functional Allocation of Expenses

The costs of providing Su Casa various programs and other activities have been summarized on their functional basis. Accordingly, certain costs have been allocated among the program and support services benefited by the expenditure.

Contracts Receivable

Contracts receivable are stated at the amount management expects to collect from the granting agencies. The majority of the contracts receivable are due from governmental agencies with an established history of paying the amounts due. Management closely monitors outstanding balances, accordingly, no allowance for doubtful accounts has been provided. Substantially all contracts receivable were collected subsequent to the June 30, 2008 year end.

Revenue and Public Support Recognition

The Organization receives a substantial portion of its operating funds from Federal, county and local government grants which are generally subject to renewal each year. These funds are deemed to be earned and reported as revenue when the Organization has provided the service or incurred the expenses in accordance with the specific requirements of the grants.

Additional public support and revenues recognized by the Organization includes contributions and fundraising activities. Contributions are recorded when received or when pledges become legally enforceable and are unconditional. Fundraising public support and revenue is recorded when the activity has occurred.

For the year ended June 30, 2008, the Organization derived approximately 79% of its total public support and revenue from government agency contract grants. Any material reduction in the contract amounts granted would have a material adverse effect on the Organization's business, results of operations and financial condition.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk
Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash (which is federally insured up to certain limits) and contracts receivable.

The Organization maintains deposits at various times during the year in excess of federally insured limits. The Organization has not experienced any loss in such accounts to date.

As of June 30, 2008, the concentration of credit risk relates mainly to contracts receivable from government agencies. If the financial condition of these governmental agencies significantly deteriorated, the Organization's operating results could be adversely affected.

Income Tax Status
Su Casa is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision for income taxes has been made in these financial statements.

NOTE 3 RESTRICTED CASH

Restricted cash at June 30, 2008 consists of monies held in trust for clients of the transitional center. (See Note 7)

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30, 2008:

Buildings and improvements	$ 865,017
Land	573,031
Furniture and equipment	68,671
Vehicles	34,500
	1,541,219
Less accumulated depreciation	465,355
	$ 1,075,864

Depreciation expense for the year ended June 30, 2008 was $61,701.

NOTE 5 RESTRICTED INVESTMENTS

Su Casa has elected to be self-insured for the purposes of California State Unemployment Insurance. The estimated liability of $10,000 is accrued in accrued expenses and other current liabilities at June 30, 2008. The Organization maintains a separate investment account for unemployment contributions and claims that is treated as restricted investments. As of June 30, 2008 the balance of this account is $21,932. Investments are 25% equity securities and 75% bonds.

NOTE 6 RETIREMENT PLAN

The Organization has available a 403(b) pension plan for all eligible employees. No contributions were made by the Organization during the year ended June 30, 2008.

NOTE 7 COMMITMENTS

The Organization leases various facilities and equipment under operating leases.

Rent expense was $32,294 for the year ended June 30, 2008.

Future minimum rental payments under noncancelable operating leases having initial terms in excess of one year are due as follows:

For the years ending June 30,	Amount
2009	$ 36,224
2010	25,024
2011	8,364
2012	5,576
	$ 75,188

The Organization holds monies in trust for clients of the transitional shelter which is reimbursed to the clients when they leave the shelter. The restricted cash relating to these monies at June 30, 2008 is $9,540. A corresponding liability for this amount is included in accrued expenses and other liabilities at June 30, 2008. (See Note 3)

On August 16, 2007, the Organization entered into a lease agreement with a purchase option with Verizon Credit inc. for the telephone system. System price including cabling amounted to $29,979. Lease term will commence when final Certificate of Acceptance and vendor invoice is received by Verizon Credit Inc. These have not been received by Su Casa as of June 30, 2008.

NOTE 8 RELATED PARTY TRANSACTIONS

The organization received services of a financial consultant who is related to a board member. Services included preparation of monthly financial statements and various accounting reports for management, Finance Committee and Board of Directors. It also included developing a comprehensive annual budget for the agency and for each individual grant or funding agency, in addition to other services. Total payments made to related party amounted to $19,381 for the year ended June 30, 2008.

NOTE 9 CHANGE IN NET ASSETS

On July 10, 2007, Su Casa received a redevelopment grant from the City of Lakewood Redevelopment Agency. The grant is for the purchase of a shelter for Su Casa to provide affordable housing to qualified households within the City of Lakewood. The amount awarded was $728,418 which was used to acquire Shelter No. 2 on September 24, 2007. The building was capitalized. Change in net assets before and after capitalization was as follows:

Total revenue and other support	$	2,015,236
Total expenditures		2,140,857
Change in net assets before capitalization		(125,621)
Redevelopment grant acquisition capitalized		728,418
Change in net assets after capitalization	$	602,797

Su Casa ~ Ending Domestic Violence
Schedule of Functional Expenses
Year ended June 30, 2008

Description	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total Support Services	Total Expenses
Salaries	$ 507,409	$ 100,607	$ 32,001	$ 132,608	$ 640,017
Payroll taxes	60,878	11,870	3,498	15,368	76,246
Donated goods and services	216,321	8,906	12,119	21,025	237,346
Advertising and promotion	1,747	1,905	-	1,905	3,652
Bad debts	1,901	770	-	770	2,671
Bank and merchant charges	186	701	-	701	887
Depreciation	58,696	3,005	-	3,005	61,701
Dues and subscriptions	2,353	1,214	-	1,214	3,567
Equipment lease and maintenance	9,516	5,640	426	6,066	15,582
Fund raising and grant management	16,038	2,772	990	3,762	19,800
Insurance - general	12,091	806	-	806	12,897
Insurance - medical	32,652	5,537	2,029	7,566	40,218
Insurance - workers' compensation	17,378	3,110	1,059	4,169	21,547
Legal and accounting	17,041	7,471	760	8,231	25,272
Loss on disposal of fixed assets	6,948	1,226	-	1,226	8,174
Office expense	15,934	8,753	1,850	10,603	26,537
Outside services	4,439	8,405	174	8,579	13,018
Professional fees	29,133	5,035	1,798	6,833	35,966
Program transportation	5,877	-	-	-	5,877
Repairs and maintenance	20,767	2,940	-	2,940	23,707
Rent	21,434	9,584	1,276	10,860	32,294
Security	2,836	265	-	265	3,101
Staff development	3,597	2,860	-	2,860	6,457
Supplies	16,649	454	-	454	17,103
Taxes and licenses	10,014	-	-	-	10,014
Telephone	27,403	5,343	739	6,082	33,485
Travel and meetings expense	12,564	3,363	591	3,954	16,518
Utilities	17,201	1,358	226	1,584	18,785
Total	$ 1,149,003	$ 203,900	$ 59,536	$ 263,436	$ 1,412,439

Letter of Comments to Management
Su Casa ~ Ending Domestic Violence
Year ended June 30, 2008

Letter of Comments to Management
Su Casa ~ Ending Domestic Violence
Year ended June 30, 2008

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& COMPANY LLP
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April 15, 2009

To the Board of Directors
Su Casa ~Ending Domestic Violence

We have audited the financial statements of Su Casa ~Ending Domestic Violence as of and for the year ended June 30, 2008. In planning and performing our audit of Su Casa's financial statements, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We have not considered the internal control structure since the date of our report.

This communication is intended to give our observations and suggestions about operational or administrative efficiencies, and other items that we perceive of benefit to Su Casa that go beyond internal control related matters and are communicated only as information for the benefit of management. It includes items noted during the course of our audit, which in our judgment, are not considered significant deficiencies but are presented for management's consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control and operational efficiencies.

This letter does not affect our report on the financial statements of Su Casa and on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with generally accepted auditing standards in the United States of America dated April 5, 2009.

Our comments are summarized as follows:

1. Invoice Payment Processing

<u>Observation</u>

During our "Internal Control Testing on Disbursements", we noticed the following control deficiencies related to processing of invoices for payment.

Of the 25 samples tested:

- A check issued for mileage reimbursement was paid by the bank without any of the signatures.
- An invoice paid did not show that mathematical accuracy was checked. Prior billing error was not deducted from the current check payment resulting in overpayment.

- 25 invoices were approved for payment but were not properly cancelled to prevent double payment.

We noted during our cash audit procedures there is no indication on the bank reconciliation that it is reviewed and approved by a person independent of the preparer. Per the Finance Manager, bank reconciliations are approved monthly by Finance Committee before it goes to the Board. However, there is no documentation in the bank reconciliations folder that the review is done by a person independent of preparer.

We also noted that mileage reimbursements were not verified through validation against available mileage references such as MapQuest, Google, Yahoo, etc.

These controls are already established by the Organization, and should be enforced through monitoring procedures.

Recommendation

Management should ensure that controls established for checks and balances are in place and functioning properly. This will help to prevent the processing of unauthorized transactions.

Management Response

Additional controls have been implemented to ensure that checks and balances are in place and running smoothly. We are committed to preventing the processing of unauthorized transactions. The steps we are taking are: (1) The mathematical accuracy of invoices and checks is now verified by the Accounting Clerk; (2) The Accounting Clerk stamps "Paid" on the invoices; (3) Bank reconciliation is reviewed and approved by the Finance Manager and Executive Director; (4) A form has been developed and implemented requiring the signature of both the preparer of the bank reconciliation (Finance Manager) and the reviewer (Executive Director).

2. Wage Authorization

Observation

Employees' salary adjustments or increases were not documented on a written wage authorization approved by the Executive Director or the Chairman of the Board. Position and salary history were not updated for all employees tested.

Recommendation

Control over payroll would be enhanced if the organization used a formal written wage authorization form approved by the Executive Director or the Chairman of the Board. This should be kept in each employee's personnel file. This will ensure that wages paid to employees are authorized by management and the Board of Directors.

Management Response

Documentation of salary adjustments has not been consistently approved or recorded in each employee's personnel folder. This weakness has been addressed by instituting a procedure whereby all salary adjustments are authorized by the Manager, Executive Director and Operations Manager, documented on an Employee Change Form, and then submitted to the Finance Department for payroll processing.

3. Cash Receipts Processing

Observation

The employee in charge of receiving deposits also makes the actual deposit to the bank.

Recommendation

One of the basic elements of internal accounting control involves the segregation of duties in such a manner that the work of one employee is checked by others, and the responsibilities for opening the mail, endorsing the check, and making the actual deposit to the bank are not placed with the same employee. Because of the Organization's limited number of personnel, the segregation of duties is not always possible. However, consideration should be given to implementing new checks and balances that would partially offset the internal control weakness. To improve the control over cash receipts, we recommend someone independent of the receipt should make the actual deposit to the bank.

Management Response

One aspect of Su Casa's Transitional Housing Program is to deposit a portion of each client's income into a trust account to be kept until the client moves into her own home. Because of the limited number of personnel, the segregation of duties is not always possible, with respect to endorsing the check and making the actual deposit into the bank. Recognizing the importance of such checks and balances, Su Casa is considering other options such as requesting that the clients deposit their own checks into the account. The bank receipt would serve as documentation the deposit was made.

4. Telephone System

Observation

On 6/30/2004, telephone system with a cost of $20,642 was purchased from Transcom Business Communications. The Organization paid during fiscal year ended June 30, 2004 the amount of $10,231 with the balance booked as liability. During the fiscal year ended June 30, 2007, the liability of $10,231 was written off as other income. The related telephone system was not written off until the fiscal year ended June 30, 2008. The write offs were due to failure of the telephone system to work properly.

On August 16, 2007, a Lease/ Finance and Security Agreement was entered into with Verizon Credit, Inc. for a telephone system with a total cost of $29,979, which includes cabling costs. No payments have been made to date and as of June 30, 2008, the final Certificate of Acceptance and vendor invoice have not been received from Verizon Credit, Inc. Per the agreement, the lease will not commence until the finalization of the Certificate of Acceptance and receipt of the vendor invoice. We understand that there is again a failure of the telephone system to work properly. We are unable to determine current status of the projects as there are no written communications between Verizon and the Organization.

We also understand that the office and the outreach facility leases are going to be up in fiscal year 2009 and if the Organization is not able to acquire more space in the facility, Su Casa will have to relocate. A large portion of the cabling system is housed in the outreach facility which will have to be written off, should the Organization relocate.

We believe that Verizon could soon demand some payment from the Organization, the amount of which could be as high as 50% of the total cost.

<u>Recommendation</u>

We believe that steps such as the following would help the Organization better manage capital projects, resulting in better managed costs:

- A project manager should be assigned the responsibility of coordinating with the vendor. The project manager should be knowledgeable of the task at hand and should report to the Executive Director and the Board.
- The project manager should prepare timely reports for the Executive Director and the Board on the status of capital projects. Reports should detail the project scope, cost, budget, and schedule, and the status of planned, delayed, eliminated, and in-progress projects.
- The project manager should control project costs by closely coordinating with the vendor to ensure that problems encountered are addressed immediately.
- The project manager should initiate contract modifications, if needed, so as to protect the Organization in the event that the project does not work as planned.
- Vendors' invoices should be reviewed to determine that they contain sufficient detailed information to support the invoices' accuracy and validity.
- Project costs on periodic reports to the Executive Director and the Board should be complete and up-to-date

To control costs that are likely to be incurred for the Verizon phone system, we recommend that management contact Verizon and obtain a detailed status as early as possible. Management should consider proposing a modification of the contract or negotiating for minimal or zero payment from the Organization since the system is not working.

Management Response

Su Casa has made many attempts to contact Verizon and resolve the problems with the installed telephone and cabling systems. Our initial contact person at Verizon left the project and then two other people assigned to our contract were replaced. The contract was written incorrectly the first time, changes were made but with the Verizon turnover it has been difficult for the contact person at Verizon and Verizon financing to coordinate the changes and extra charges that were incurred. We have initiated all contact with Verizon and have mailed and faxed all information they have requested. Su Casa has also contacted Verizon management concerning these problems. We have not had any response from Verizon.

Su Casa made every attempt possible to avoid the delays incurred in getting the communication network that is needed for our shelters and administrative offices. Su Casa spent about nine months in the bid process, getting ideas, various options, and cost estimates of systems that would meet our communication needs. We talked with members of our Board who had experience in communication networks, and we went with what we thought was a very reliable and experienced company. However, this process was a strain on our administrative department, the time and cost of our staff doing the work necessary to obtain bids and manage the project took away from their regular duties. This project was not funded by a specific grant, therefore we did not have the funding to allocate the resources as indicated in your recommendations.

In the future Su Casa intends to obtain funding for capital projects of this type. A project manager, and the time and cost of our staff will be written into the cost of the project. Your recommendations will be incorporated into the project manager's responsibilities.

Su Casa will again contact Verizon and ask for clarification of our financial contract. We have every intention of meeting our financial obligation for the work that has been done when Verizon and Su Casa agree that the services and work outlined in our original contract have been completed and our system is functioning properly.

5. Internal Cost Reporting

Observation

The Organization's internal cost reporting per grant / contract reflects cost that is limited to costs that are billed to grantors. Billings to grantors are limited by budgeted amounts or grant amounts.

Recommendation

The Organization prepares a detailed budget per grant/contract. However, for review purposes, actual cost is limited to the budget per grant/contract. We understand that billings are subject to this limitation but for internal review purposes, the budget per grant/contract should be compared with total actual cost per grant/contract. A review of actual operating results and budget variations will enable management to more actively run the programs by recognizing unusual trends that may indicate fraud, unwise use of resources, operational inefficiencies, poor decision making, missed business opportunities, and other threats that derail companies.

Management Response

Su Casa is addressing the allocation of cost and the internal cost reporting by hiring an outside agency to do a time study that will aid us in determining the personnel cost associated with assigning clients to grants and the allocation of expenses to contracts more accurately. A time study will allow us to know how much a program costs beyond the budgeted amount being billed to each grant. With this information we can produce an income statement for each grant showing the expenses billed to grants and the total amount of expenses not able to be billed to grants. Su Casa should then be able to inform their grantors of monies needed for various line item expenses not funded by grants and the need for extra funding due to rising costs. Various software programs are being analyzed in order for this process to be implemented without over burdening our accounting resources and the cost of these programs are being included in our request for current and new funding. The time study is set to begin in May 2009.

* * *

We wish to thank the Director of Administration and the Su Casa team for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez + Company LLP

Los Angeles, California
April 15, 2009

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Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in a Accordance with Government Auditing Standards

Board of Directors
Su Casa ~ Ending Domestic Violence

We have audited the financial statements of Su Casa ~ Ending Domestic Violence, a California nonprofit organization as of and for the year ended June 30, 2008, and have issued our report thereon dated April 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Su Casa ~ Ending Domestic Violence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Su Casa ~ Ending Domestic Violence's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Su Casa ~ Ending Domestic Violence's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Su Casa ~ Ending Domestic Violence's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Su Casa ~ Ending Domestic Violence's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Su Casa ~ Ending Domestic Violence's financial statements that is more than inconsequential will not be prevented or detected by Su Casa ~ Ending Domestic Violence's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Su Casa ~ Ending Domestic Violence's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez & Company LLP

Los Angeles, California
April 15, 2009

VASQUEZ
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

801 South Grand Avenue, Suite 400 • Los Angeles, CA 90017-4646 • Ph. (213) 629-9094 • Fax (213) 996-4242 • www.vasquezcpa.com

Attn: Julie
Fax (916) 845-8397

Report of Independent Auditors

Board of Directors
Su Casa – Ending Domestic Violence

We have audited the accompanying statements of financial position of Su Casa – Ending Domestic Violence, a California nonprofit organization, as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Su Casa – Ending Domestic Violence's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Su Casa – Ending Domestic Violence as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2009, on our consideration of Su Casa – Ending Domestic Violence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

Vasquez & Company LLP

Los Angeles, California
April 15, 2009

CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380

August 17, 2009

Ms. Edith Matthews, MPA
Fianance Manager
Su Casa
3840 Woodruff Avenue, Suite 203
Long Beach, CA 90808

SUBJECT: AUDIT REPORT FOR PERIOD ENDED JUNE 30, 2008

Dear Ms. Matthews:

The California Emergency Management Agency (Cal EMA) has reviewed the above subject audit reports prepared by Vasquez & Company LLP, dated April 15, 2009, for audit year ending June 30, 2008.

Per OES Recipient Handbook Section 8110, "The audit must be performed in accordance with the financial audit requirements of the *Government Auditing Standards* published by the United States General Accounting Office." Section 8113 of the Handbook outlines the criteria that must be used by the auditor, including but not limited to a review of internal accounting and administrative control systems. The Independent Auditor's Report for the above period is not sufficient because it does not indicate that the audit was performed in accordance with *Government Auditing Standards*. The audit package also does not contain a separate *Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards.*

Because the above audit report does not meet requirements, corrective action is required. You must either:

1) Contact the auditors who completed the audit and request a more complete review; or
2) Schedule another audit that encompasses all required areas.

Please respond by September 1, 2009, as to which of these options you have selected by contacting (916) 845-8120. The corrected audit reports should be prepared in accordance with Recipient Handbook Section 8000 et seq., and should be submitted to OES no later than September 30, 2009.

Sincerely,

Catherine Lewis

CATHERINE LEWIS
INTERIM BRANCH CHIEF